

# South Carolina Department of Insurance

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### MEDIA ADVISORY

July 30, 2007 For Immediate Release Contact: Ann Roberson Phone: 803-737-6207

# South Carolina Department of Insurance Approves "Wind Pool" Rates

Scott H. Richardson, Director of the South Carolina Department of Insurance has approved changes, effective July 19, 2007, to the rating plan and plan of operation for the South Carolina Wind and Hail Underwriting Association (Wind Pool).

Though loss data initially indicated an overall increase in the rates in excess of 65%, improvements in the plan of operation and updates to the underwriting rules by the Wind Pool Board and approved by the Department, reduced its rate request to an overall 35%. Not every consumer will receive a 35% increase in rates. Choosing higher deductibles should result in a significant reduction in property insurance premiums.

"We expect small future adjustments to the plan of operation as we continue to review the performance of the Wind Pool. The Wind Pool will operate as a true residual market mechanism and rates will be reviewed every six months as required by the Omnibus Coastal Property Insurance Relief Act of 2007 (H.3820) which passed in the 2007 legislative session," said Director Richardson.

Since its inception in the early 1970's, there have been no significant changes to the Wind Pool's operation other than occasional rate changes. During the last several years, dramatic increases in coastal exposures and changes in the availability of essential property coverage required a comprehensive review the role of the Wind Pool in the South Carolina property insurance marketplace.

These changes follow expansions to the Wind Pool territory in March and June of this year, which addressed issues related to the lack of available property insurance coverage. This resulted in a "two-tiered" rating plan to ensure that the rates charged for coverage reflected the risk of the property. In addition, the plan of operation was changed to increase minimum deductibles to better reflect the realities of the market. Underwriting standards were also revised.

## Among the significant changes are:

- Implementation of a two-tiered rating system based on proximity to the coast;
- "Overall" rate increase of 35% which will vary by territory and can be reduced by choosing various deductibles (see illustrations below):
- Increased minimum deductibles to 3% in tier one and 2% in tier two;
- Availability of higher deductibles for lower premiums;

- Requiring a National Flood Insurance Policy for those insureds choosing replacement cost coverages, effective January 1, 2008.
- All townhouses will be rated as dwellings regardless of the number of units in a structure; and
- Condominium associations consisting of only one or two units will be rated as "dwelling" not "commercial."

The new deductibles and rates will strengthen the Wind Pool's operation and reduce the "probable maximum loss" (PML) expectations. This will allow the Wind Pool to purchase a better reinsurance program. "It is our feeling that these changes will reduce the risk of any future assessments to both the South Carolina insurance marketplace and South Carolina consumers," stated Director Richardson.

The impact of these changes on the average premium for homes valued at \$150,000, \$250,000 and \$500,000 are illustrated in the below listed table:

#### SOUTH CAROLINA WIND & HAIL ESTIMATED AVERAGE PREMIUM ILLUSTRATIONS

	Dwelling	\$150,000	Contents	\$50,000	LOU	\$30,000					
	Current	2% Ded	\$ Impact	3% Ded	\$	4% Ded	\$	5%	\$	10%	\$
	Rate				Impact		Impact	Ded	Impact	Ded	Impact
Zone											
1	1,228	-	-	1,482	254	1,394	166	1,308	80	1,098	(130)
Zone											
2	1,228	1,286	58	1,215	(13)	1,143	(85)	1,072	(156)	900	(328)

	Dwelling	\$250,000	Contents	\$100,000	LOU	\$50,000					
	Current	2% Ded	\$ Impact	3% Ded	\$	4% Ded	\$	5%	\$	10%	\$
	Rate	2% Dea	ф іпірасі	3% Ded	Impact	4% Deu	Impact	Ded	Impact	Ded	Impact
Zone											
1	2,038	-	-	2,457	419	2,312	274	2,168	130	1,746	(292)
Zone											
2	2,038	2,133	95	2,015	(23)	1,896	(142)	1,778	(260)	1,431	(607)

	Dwelling	\$500,000	Contents	\$150,000	LOU	\$100,000					
	Current	2% Ded	\$ Impact	3% Ded	\$	4% Ded	\$	5%	\$	10%	\$
	Rate	2 % Deu	φ impact	3 % Deu	Impact	4 % Deu	Impact	Ded	Impact	Ded	Impact
Zone											
1	3,710	-	-	4,471	761	4,207	497	3,944	234	3,313	(397)
Zone											
2	3,710	3,881	171	3,666	(44)	3,450	(260)	3,234	(476)	2,717	(993)

For questions concerning the information contained in this release, please contact Ann Roberson, Public Information Officer for The South Carolina Department of Insurance at 803-737-6207.